SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2003

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

0-26038
Commission file number:

ResMed Inc
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

98-0152841
(IRS Employer Identification No)

14040 Danielson St
Poway CA 92064-6857
United States Of America
(Address of principal executive offices)

(858) 746 2400
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [x] No [ ]

As of May 5, 2003, there were 33,226,493 shares of Common Stock ($0.004 par value) outstanding.

RESMED INC. AND SUBSIDIARIES

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RESMED INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)
(in US$ thousands, except share data)

	March 31, 2003	June 30, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$93,715	$72,860
Marketable securities – available-for-sale	9,586	19,979
Accounts receivable, net of allowance for doubtful accounts of $2,436 at March 31, 2003 and $1,938 at June 30, 2002	52,636	46,199
Inventories (note 4)	49,305	41,173
Deferred income taxes	9,357	9,289
Prepaid expenses and other current assets	5,468	4,213
Total current assets	220,067	193,713
Property, plant and equipment, net of accumulated depreciation of $41,133 at March 31, 2003 and $31,084 at June 30, 2002	92,199	79,279
Patents, net of accumulated amortization of $2,855 at March 31, 2003 and $1,862 at June 30, 2002	3,137	2,653
Goodwill (note 6)	98,639	92,536
Other assets	6,221	8,010
Total non-current assets	200,196	182,478
Total assets	$420,263	$376,191
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$16,027	$11,605
Accrued expenses	16,664	15,273
Deferred revenue	5,704	3,636
Income taxes payable	6,111	6,905
Payable for property purchase	6,331	11,552
Current portion of deferred profit on sale-leaseback	2,077	1,933
Total current liabilities	52,914	50,904
Non-current liabilities:		
Deferred revenue	7,007	5,402
Convertible subordinated notes (note 9)	113,250	123,250
Deferred profit on sale-leaseback	2,424	3,705
Total non-current liabilities	122,681	132,357
Total Liabilities	175,595	183,261
Commitments and contingencies (note 7)	-	-
Stockholders' Equity:		
Preferred stock, $0.01 par value, 2,000,000 shares authorized; none issued	-	-
Series A Junior Participating preferred stock, $0.01 par value, 250,000 shares authorized; none issued	-	-
Common Stock, $0.004 par value, 100,000,000 shares authorized; issued and outstanding 33,126,910 at March 31, 2003 and 32,818,160 at June 30, 2002 (excluding 415,365 and 290,047 shares held as Treasury Stock respectively)	133	132
Additional paid-in capital	98,715	94,153
Retained earnings	146,848	114,643
Treasury stock	(11,415)	(7,873)
Accumulated other comprehensive income (loss) (note 5)	10,387	(8,125)
Total stockholders' equity	244,668	192,930
Total liabilities and stockholders' equity	$420,263	$376,191

See accompanying notes to unaudited condensed consolidated financial statements.

RESMED INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income (Unaudited)
(in US$ thousands, except per share data)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
Net revenue	$68,996	$52,776	$192,875	$147,829
Cost of sales	25,809	19,005	70,152	51,388
Gross profit	43,187	33,771	122,723	96,441
Operating expenses:				
Selling, general and administrative	21,013	16,408	59,735	45,467
Research and development	5,068	3,792	14,299	10,770
Donation to Research Foundation	-	1,000	-	1,000
Total operating expenses	26,081	21,200	74,034	57,237
Income from operations	17,106	12,571	48,689	39,204
Other income (expense), net:				
Interest income (expense), net	(505)	(893)	(2,131)	(2,461)
Gain on extinguishment of debt	-	2,989	529	2,989
Other, net	1,406	433	121	471
Total other income (expense), net	901	2,529	(1,481)	999
Income before income taxes	18,007	15,100	47,208	40,203
Income taxes	(5,757)	(4,721)	(15,003)	(12,507)
Net income	$12,250	$10,379	$32,205	$27,696
Basic earnings per share:	$0.37	$0.32	$0.98	$0.87
Diluted earnings per share:	$0.35	$0.31	$0.94	$0.81
Basic share outstanding	33,065	32,217	32,980	31,992
Diluted shares outstanding	34,564	33,924	34,343	34,101

See accompanying notes to unaudited condensed consolidated financial statements.

RESMED INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)
(in US$ thousands)

	Nine Months Ended March 31,	
	2003	2002
Cash flows from operating activities:		
Net income	$32,205	$27,696
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,949	7,007
Amortization of deferred borrowing costs	641	954
Provision for service warranties	128	(113)
Foreign currency options revaluations	191	340
Gain on debt extinguishment	(529)	(2,989)
Profit on sale and lease-back of building	(1,459)	-
Changes in operating assets and liabilities:		
Accounts receivable, net	(4,016)	(10,536)
Inventories	(5,991)	(4,712)
Prepaid expenses and other current assets	(1,625)	(6,436)
Accounts payable, accrued expenses and other liabilities	8,643	15,974
Net cash provided by operating activities	37,137	27,185
Cash flows from investing activities:		
Purchases of property, plant and equipment	(16,528)	(15,819)
Patent registration costs	(1,026)	(975)
Purchase of non-trading investments	(953)	(2,839)
Proceeds from sale of non-trading investments	1,836	-
Business acquisitions, net of cash acquired of nil (2002:$369) (note 8)	(300)	(6,544)
Purchases of marketable securities-available-for-sale	(13,544)	(350,743)
Proceeds from sale of marketable securities – available-for-sale	23,770	356,685
Net cash used in investing activities	(6,745)	(20,235)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	4,563	9,305
Proceeds from borrowings, net of borrowing costs	-	28,402
Instalment payment for property purchase	(5,870)	-
Redemption of borrowings, convertible note	(9,217)	(29,935)
Purchase of treasury stock	(3,542)	-
Net cash (used) provided by financing activities	(14,066)	7,772
Effect of exchange rate changes on cash	4,529	1,370
Net increase in cash and cash equivalents	20,855	16,092
Cash and cash equivalents at beginning of period	72,860	40,136
Cash and cash equivalents at end of period	$93,715	$56,228
Supplemental disclosure of cash flow information:		
Income taxes paid	$15,851	$13,620
Interest paid	2,265	3,868
Fair value of assets acquired on acquisition:	$-	$2,634
Liabilities assumed	-	(1,131)
Goodwill on acquisition	300	5,410
Cash paid for acquisition	$300	$6,913

See accompanying notes to condensed consolidated financial statements.

RESMED INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(1) Organization and Basis of Presentation

ResMed Inc. (the Company), is a Delaware Corporation formed in March 1994 as a holding company for the ResMed Group. The Company, through its subsidiaries, designs, manufactures and markets devices for the evaluation and treatment of sleep-disordered breathing, primarily obstructive sleep apnea. The Company's manufacturing operations are located in Australia, Germany, and the United States of America. Major distribution and sales sites are located in the United States of America, Germany, France, United Kingdom, Switzerland, Australia and Sweden.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2003 and the nine months ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ending June 30, 2003.

(2) Summary of Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from management's estimates.

(b) Revenue Recognition

Revenue on product sales is generally recorded upon shipment, at which time title transfers to the customer. Revenue on product sales which require customer acceptance is not recorded until acceptance is received. Royalty revenue from license agreements is recorded when earned. Service revenue received in advance from service contracts is initially deferred and recognized ratably over the life of the service contract. Revenue received in advance from rental unit contracts is initially deferred and recognized ratably over the life of the rental contract. Revenue from sale of marketing and distribution rights is initially deferred and recognized ratably as revenue over the life of the contract. Freight charges billed to customers are included in revenue. All freight-related expenses are charged to cost of sales.

RESMED INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(2) Summary of Significant Accounting Policies, Continued

(b) Revenue Recognition (continued)

We do not offer a right of return or other recourse with respect to the sale of our products or similarly offer variable sale prices for subsequent events or activities. However, as part of our sales processes we may provide upfront discounts for large orders, one time special pricing to support new product introductions, sales rebates for centralized purchasing entities or price-breaks for regular order volumes. The costs of all such programs are recorded as an adjustment to revenue. In our domestic sales activities we use a number of Manufacturer Representatives to sell our products. These representatives are paid a direct commission on sales and act as an integral component of our domestic sales force. We do not sell our products to these representatives and do not recognize revenue on such shipments. Our products are predominantly therapy based equipment and require no installation. As such, we have no significant installation obligations.

(c) Cash and Cash Equivalents

Cash equivalents include certificates of deposit, commercial paper, and other highly liquid investments stated at cost, which approximates market. Investments with original maturities of 90 days or less are considered to be cash equivalents for purposes of the condensed consolidated statements of cash flows.

(d) Inventories

Inventories are stated at the lower of cost, determined principally by the first–in, first–out method, or net realizable value. The Company reviews and provides for any product obsolescence in its manufacturing and distribution operations with assessments of individual products and components (based on estimated future usage and sales) being performed throughout the year.

(e) Property, Plant and Equipment

Property, plant and equipment, including rental equipment, is recorded at cost. Depreciation expense is computed using the straight–line method over the estimated useful lives of the assets, generally two to ten years except for buildings which are depreciated over an estimated useful life of 40 years. Straight–line and accelerated methods of depreciation are used for tax purposes. Maintenance and repairs are charged to expense as incurred.

ResMed Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements
(unaudited)

(2) Summary of Significant Accounting Policies, Continued

(f) Patents

The registration costs for new patents are capitalized and amortized over the estimated useful life of the patent, generally five years. In the event of a patent being superseded, the unamortized costs are written off immediately.

(g) Goodwill

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") 142, Goodwill and Other Intangible Assets. As allowed under the Standard, the Company adopted SFAS 142 effective July 1, 2001. SFAS 142 requires goodwill and intangible assets with indefinite useful lives to no longer be amortized, but instead be tested for impairment at least annually.

With the adoption of SFAS 142, the Company reassessed the useful lives and residual values of all acquired intangible assets to make any necessary amortization period adjustments. Based on that assessment, only goodwill was determined to have an indefinite useful life and no adjustments were made to the amortization period or residual values of other intangible assets.

The Company conducted its annual review for goodwill impairment in July 2002. In conducting our review of goodwill impairment, the Company identified reporting units, being components of our operating segment, as each of the entities acquired and giving rise to the goodwill. The fair value for each reporting unit was determined based on discounted cash flows and involved a two step process as follows:

Step 1 - Compare the fair value for each reporting unit to its carrying value, including goodwill. For each reporting unit where the carrying value, including goodwill, exceeds the reporting unit's fair value, move on to step 2. If a reporting unit's fair value exceeds the carrying value, no further work is performed and no impairment charge is necessary.

Step 2 - Allocate the fair value of the reporting unit to its identifiable tangible and non-goodwill intangible assets and liabilities. This will derive an implied fair value for the goodwill. Then, compare the implied fair value of the reporting unit's goodwill with the carrying amount of the reporting unit's goodwill. If the carrying amount of the reporting unit's goodwill is greater than the implied fair value of its goodwill, an impairment loss must be recognized for the excess.

The results of the review indicated that no impaired goodwill exists.

RESMED INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(2) Summary of Significant Accounting Policies, Continued

(h) Foreign Currency

The consolidated financial statements of the Company's non–U.S. subsidiaries, whose functional currencies are other than U.S. dollars, are translated into U.S. dollars for financial reporting purposes. Assets and liabilities of non–U.S. subsidiaries whose functional currencies are other than the U.S. dollar are translated at period end exchange rates, and revenue and expense transactions are translated at average exchange rates for the period. Cumulative translation adjustments are recognized as part of comprehensive income, as described in Note 5, and are included in accumulated other comprehensive loss in the consolidated balance sheet until such time as the subsidiary is sold or substantially or completely liquidated. Gains and losses on transactions denominated in other than the functional currency of the entity are reflected in operations.

(i) Research and Development

All research and development costs are expensed in the period incurred.

(j) Earnings Per Share

The weighted average shares used to calculate basic earnings per share was 33,065,000 and 32,217,000 for three-month periods ended March 31, 2003 and 2002 respectively, and 32,980,000 and 31,992,000 for the nine month periods ended March 31, 2003 and 2002 respectively. The difference between basic earnings per share and diluted earnings per share is attributable to the impact of outstanding stock options during the periods presented. Stock options had the effect of increasing the number of shares used in the calculation (by application of the treasury stock method) by 1,499,000 and 1,707,000 for the three-month periods ended March 31, 2003 and 2002 respectively and by 1,363,000 and 2,109,000 for the nine-month periods ended March 31, 2003 and 2002, respectively.

Stock options of 1,466,000 and 1,282,000 for the three-month periods ended March 31, 2003 and 2002 respectively and 1,500,000 and 427,000 for the nine-month periods ended March 31, 2003 and 2002, respectively, were not included in the computation of diluted earnings per share as the effect of exercising these options would have been anti-dilutive.

RESMED INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(2) Summary of Significant Accounting Policies, Continued

(k) Financial Instruments

The carrying value of financial instruments, such as cash and cash equivalents, marketable securities - available-for-sale, accounts receivable, government grants, foreign currency option contracts, short term debt, taxes payable and accounts payable approximate their fair value. The Company does not hold or issue financial instruments for trading purposes.

The fair value of financial instruments is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties.

(l) Foreign Exchange Risk Management

The Company enters into various types of foreign exchange contracts in managing its foreign exchange risk, including derivative financial instruments encompassing forward exchange contracts and foreign currency options.

The purpose of the Company's foreign currency hedging activities is to protect the Company from adverse exchange rate fluctuations with respect to net cash movements resulting from the sales of products to foreign customers and Australian manufacturing activities. The Company enters into foreign currency option contracts to hedge anticipated sales and manufacturing costs, principally denominated in Australian dollars and Euros. The terms of such foreign currency option contracts generally do not exceed three years.

The Company's foreign currency derivatives portfolio represents a cashflow hedge program against the net cash flow of its international manufacturing operations. The Company has determined its hedge program to be a non-effective hedge as defined under SFAS 133. As such, the foreign currency derivatives portfolio is recorded in the consolidated balance sheets at fair value and included in other assets or other liabilities.

All movements in the fair value of the foreign currency derivatives are recorded within other income, net on the Company's consolidated statements of income.

RESMED INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(2) Summary of Significant Accounting Policies, Continued

(m) Income Taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(n) Marketable Securities

Management determines the appropriate classification of its investments in debt and equity securities at the time of purchase and re-evaluates such determination at each balance sheet date. Debt securities for which the Company does not have the intent or ability to hold to maturity are classified as available-for-sale. Securities available-for-sale are carried at fair value, with the unrealized gains and losses, net of tax, reported in accumulated other comprehensive income (loss).

At March 31, 2003 and June 30, 2002, the Company's investments in debt securities were classified on the accompanying consolidated balance sheet as marketable securities-available-for-sale. These investments are diversified among high credit quality securities in accordance with the Company's investment policy.

As at March 31, 2003, contractual maturities of marketable securities-available-for-sale were all less than one year.

(o) Warranty

Estimated future warranty costs related to certain products are charged to operations in the period in which the related revenue is recognized.

(p) Impairment of Long-Lived Assets

The Company periodically evaluates the carrying value of long-lived assets to be held and used, including certain identifiable intangible assets, when events and circumstances indicate that the carrying amount of an asset may not be recovered. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

RESMED INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(2) Summary of Significant Accounting Policies, Continued

(q) Capitalized Software Production Costs

Software development costs have been capitalized and will be amortized to the cost of product revenues over the estimated economic lives (generally three to five years) of the products that include such software. Total net capitalized software production costs were $1,557,000 and $1,132,000 at March 31, 2003 and June 30, 2002 respectively.

(r) Stock-based Employee Compensation

The Company has granted stock options to personnel, including officers and directors, in accordance with both the 1995 Option Plan and the 1997 Equity Participation Plan (collectively the "Plans"). These options have expiration dates of ten years from the date of grant and vest over three or four years. The Company granted these options with the exercise price equal to the market value as determined at the date of grant.

The following table summarizes outstanding stock option plan balances as at March 31, 2003

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding option	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	5,155,826	$28.07	831,548
Equity compensation plans not approved by security holders	-	-	-
Total	5,155,826	$28.07	831,548

The Company applies APB Opinion No. 25 in accounting for its Plans and as all stock options are issued at market price on date of issue, no compensation cost has been recognized for its stock options. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

RESMED INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(2) Summary of Significant Accounting Policies, Continued

(r) Stock-based Employee Compensation

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
	(In thousands)			
Net income, as reported	$12,250	$10,379	$32,205	$27,696
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects.	3,670	4,801	10,416	14,084
Pro forma net income	8,580	5,578	21,789	13,612
Earnings per share:				
Basic - as reported	$0.37	$0.32	$0.98	$0.87
Basic - pro forma	$0.26	$0.17	$0.66	$0.43
Diluted - as reported	$0.35	$0.31	$0.94	$0.81
Diluted - pro forma	$0.25	$0.16	$0.63	$0.40

The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: weighted average risk-free interest rates of 2.9% and 4.8% for the nine months ended March 31, 2003 and fiscal 2002 respectively; no dividend yield; expected option lives of 3 years for the nine months ended March 31, 2003 and 5.5 years for fiscal 2002 and volatility of 63% for the nine months ended March 31, 2003 and 60% for fiscal 2002.

Fair value of compensation costs by period of grant are noted below (in thousands except per share data):

Fiscal Year of Grant	Nine Months Ended March 31, 2003	Nine Months Ended March 31, 2002	Average Exercise Price	Fair Value at Date of Grant
2003	$6,518	$-	$26.39	$12.16
2002	7,456	15,578	50.18	26.10
2001	1,998	5,357	27.71	13.41
2000	53	728	14.14	6.56
1999	-	5	11.93	5.27
Compensation Cost	$16,025	$21,668		
Tax Effected	$10,416	$14,084		

RESMED INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(3) Accounting Changes

In April 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS 133. SFAS 149 is effective for contracts entered into or modified after June 30, 2003. The Company is currently evaluating the impact of this statement.

In December 2002, the FASB issued SFAS 148, Accounting for Stock-Based Compensation - Transition and Disclosure, which amends SFAS 123, Accounting for Stock-Based Compensation. SFAS 148 amends the disclosure requirements in SFAS 123 for stock-based compensation for annual periods ending after December 15, 2002 and for interim periods beginning after December 15, 2002. SFAS 148 amends SFAS 123 to provide alternative methods of transition for an entity that voluntarily changes to fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of SFAS 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Finally, SFAS 148 amends Accounting Principles Board ("APB") Opinion No. 28, Interim Financial Reporting, to require disclosure about those effects in interim financial information. The Company has adopted the amended disclosure provisions of SFAS 148.

In July 2002, the FASB issued SFAS 146, Accounting for Restructuring Costs. SFAS 146 applies to costs associated with an exit activity (including restructuring) or with a disposal of long-lived assets. Those activities can include eliminating or reducing product lines, terminating employees and contracts, and relocating plant facilities or personnel. Under SFAS 146, a company will record a liability for a cost associated with an exit or disposal activity when that liability is incurred and can be measured at fair value.

SFAS 146 requires a company to disclose information about its exit and disposal activities, the related costs, and changes in those costs in the notes to the interim and annual financial statements that include the period in which an exit activity is initiated and in any subsequent period until the activity is completed.

SFAS 146 is effective prospectively for exit or disposal activities initiated after December 31, 2002. Under SFAS 146, a company may not restate its previously issued financial statements and SFAS 146 grandfathers the accounting for liabilities that a company had previously recorded under Emerging Issues Task Force Issue 94-3. The Company believes that the adoption of SFAS 146 will not have a material impact on the results of operations, financial position or liquidity of the Company.

RESMED INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(3) Accounting Changes, Continued

The FASB issued SFAS 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections as of April 2002. SFAS 145 rescinds SFAS 4 and SFAS 64, which required that all gains and losses from extinguishment of debt be aggregated, and if material, classified as an extraordinary item. As a result, gains and losses from debt extinguishment are to be classified as extraordinary only if they meet the criteria set forth in APB Opinion No. 30, Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. SFAS 145 also requires that sale-leaseback accounting be used for capital lease modifications with economic effects similar to sale-leaseback transactions. The Company has classified gains from the extinguishment of debt as other income in its Consolidated Statements of Income.

In August 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." For long-lived assets to be held and used, SFAS 144 retains the requirements of SFAS 121 to (a) recognize an impairment loss only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows and (b) measure an impairment loss as the difference between the carrying amount and fair value. Further, SFAS 144 eliminates the requirement to allocate goodwill to long-lived assets to be tested for impairment, describes a probability-weighted cash flow estimation approach to deal with situations in which alternative courses of action to recover the carrying amount of a long-lived asset are under consideration or a range is estimated for the amount of possible future cash flows, and establishes a "primary-asset" approach to determine the cash flow estimation period. For long-lived assets to be disposed of other than by sale (e.g. assets abandoned, exchanged or distributed to owners in a spin-off), SFAS 144 requires that such assets be considered held and used until disposed.

Further, an impairment loss should be recognized at the date an asset is exchanged for a similar productive asset or distributed to owners in a spin-off if the carrying amount exceeds its fair value. The Company adopted SFAS 144 on July 1, 2002. Adoption of the standard did not have a material impact on the results of operations, financial position or liquidity of the Company.

In July 2001, the FASB issued SFAS 142, Goodwill and Other Intangible Assets. As allowed under the Standard, the Company has adopted SFAS 142 effective July 1, 2001. SFAS 142 requires goodwill and intangible assets with indefinite useful lives to no longer be amortized, but instead be tested for impairment at least annually.

With the adoption of SFAS 142, the Company reassessed the useful lives and residual values of all acquired intangible assets to make any necessary amortization period adjustments. Based on that assessment, only goodwill was determined to have an indefinite useful life and no adjustments were made to the amortization period or residual values of other intangible assets. In accordance with SFAS 142 the Company completed its annual assessment of goodwill impairment in July 2002. The results of the review indicated that no impaired goodwill currently exists.

RESMED INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(3) Accounting Changes, Continued

In June 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations," which requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs would be capitalized as part of the carrying amount of the long-lived asset and depreciated over the life of the asset. The liability is accreted at the end of each period through charges to operating expense. If the obligation is settled for other than the carrying amount of the liability, the Company will recognize a gain or loss on settlement. The provisions of SFAS 143 are effective for fiscal years beginning after June 15, 2002. The initial adoption of SFAS 143 did not have a material impact on the results of operations, financial position or liquidity of the Company.

(4) Inventories

Inventories were comprised of the following at March 31, 2003 and June 30, 2002:

(in US$ thousands)	March 31, 2003	June 30, 2002
Raw materials	$11,642	$8,130
Work in progress	2,301	2,057
Finished goods	35,362	30,986
	$49,305	$41,173

(5) Comprehensive Income

The table below presents other comprehensive income (loss):

(in US$ 000's)	Foreign Currency Items	Unrealized Gains (Losses) on Securities	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Accumulated Comprehensive Income (Loss)
Beginning balance, July 1, 2002	($8,230)	$105	($8,125)	$114,643	$106,518
Current period change	18,620	(108)	18,512	32,205	50,717
Ending balance, March 31, 2002	$10,390	($3)	$10,387	$146,848	$157,235

The Company does not provide for US income taxes on foreign currency translation adjustments since it does not provide for such taxes on undistributed earnings of foreign subsidiaries. Accumulated other comprehensive loss at March 31, 2003 and June 30, 2002 consisted of foreign currency translation adjustments with net credit balances of $10.4 million and net debit balances of $8.2 million, respectively and unrealized losses on securities with net debit balance of $3,000 and net credit balance of $105,000 (net of tax of $57,000), respectively.

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(6) Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the nine months ended March 31, 2003, were as follows:

(In US$ thousands)	
Balance at June 30, 2002	$92,536
Goodwill on acquisition of John Stark and Associates	300
Foreign currency translation adjustments	5,803
Balance at March 31, 2003	$98,639

Other intangible assets amounted to $3.1 million (net of accumulated amortization of $2.9 million) and $2.7 million (net of accumulated amortization of $1.9 million) at March 31, 2003 and June 30, 2002, respectively. These intangible assets consist of patents and are amortized over the estimated useful life of the patent, generally five years. There are no expected residual values related to these intangible assets.

(7) Commitments and Contingencies

The Company is currently engaged in litigation relating to the enforcement and defense of certain of its patents.

1995 Litigation with Respironics. In January 1995 ResMed Limited filed a complaint in the United States District Court for the Southern District of California seeking monetary damages from and injunctive relief against Respironics, Inc. for alleged infringement of three of its patents. In February 1995, Respironics filed a complaint in the U.S. District Court for the Western District of Pennsylvania, in Pittsburgh, against ResMed Limited seeking a declaratory judgment that Respironics, Inc. does not infringe claims of these patents and that ResMed Limited's patents are invalid and unenforceable. The Respironics complaint also made the University of Sydney a party as the University of Sydney is the assignee of one of the patents in suit; ResMed Limited is the exclusive licensee of that patent. The two actions were combined and are proceeding in the Western District of Pennsylvania. In June 1996, ResMed Limited filed an additional complaint against Respironics for infringement of a fourth ResMed patent, and that complaint was consolidated with the earlier action.

The Court has granted three partial summary judgment motions, finding that Respironics does not infringe three of the four patents at issue. In December 1999, in response to the Court's ruling on Respironics, Inc.'s third summary judgment motion, the parties jointly stipulated to a dismissal of charges of infringement under the fourth ResMed patent, with ResMed reserving the right to reassert the charges in the event of a favorable ruling on appeal of the third partial summary judgment. ResMed currently intends to appeal the partial summary judgment rulings after a final judgment in the consolidated litigation has been entered in the District Court proceedings.

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(7) Commitments and Contingencies, Continued

Respironics has filed a motion seeking a summary judgment that one of the four patents is invalid. ResMed has opposed the motion. The court has not yet ruled on it.

2002 Litigation with Fisher & Paykel Healthcare. On August 26, 2002, ResMed Inc., ResMed Corp. and ResMed Limited filed a lawsuit in U.S. District Court for the Southern District of California, in San Diego against Fisher & Paykel Healthcare Inc and Fisher & Paykel Healthcare Limited ("Fisher & Paykel Healthcare"). ResMed's amended complaint seeks a judgment that selected Fisher & Paykel Healthcare mask products infringe patents held by ResMed. The complaint further charges the defendants with the copying of ResMed proprietary mask technology and alleges violations of the Lanham Act, trademark and trade dress infringement and common law violations relating to the appearance of ResMed mask products.

On May 6, 2003, ResMed and Fisher & Paykel Healthcare agreed to settle this patent infringement lawsuit. Under the settlement, Fisher & Paykel will introduce a new design of its mask by August 1, 2003 and ResMed will not assert intellectual property claims against the new mask. In addition, Fisher & Paykel will continue to sell its existing masks under a license from ResMed until it introduces the new version. ResMed will dismiss the lawsuit with prejudice.

2002 Litigation with Respironics. On October 11, 2002, ResMed Inc, ResMed Corp, and ResMed Limited filed a lawsuit in U.S. District Court for the Southern District of California, in San Diego against Respironics, Inc. ResMed's suit seeks a judgment that certain of Respironics' mask products (Contour Deluxe, Comfort Classic, Comfort Select, and Image3 masks) infringe patents held by ResMed. The complaint further charges Respironics with copying ResMed's proprietary mask technology, and alleges violation of the Lanham Act, trademark and trade dress infringement, and common law violations relating to the appearance of ResMed's mask products. ResMed seeks an injunction and damages. On March 4, 2003, the Court denied Respironics' motion to transfer the case to the U.S. District Court for the Western District of Pennsylvania.

On October 16, 2002 Respironics, Inc. filed a lawsuit in U.S. District Court for the Western District of Pennsylvania, in Pittsburgh, against ResMed Limited seeking a declaratory judgment that Respironics, Inc. does not infringe those patents that are the subject of ResMed's October 11, 2002 complaint filed in San Diego, that such patents are invalid and unenforceable and that Respironics has not committed any other trademark, trade dress or common law violations. ResMed Limited has filed a motion to dismiss the case against it for lack of jurisdiction or, in the alternative, to transfer it to the U.S. District Court for the Southern District of California, in San Diego. Respironics has not yet opposed the motion, and the court has not ruled on it.

Other pre-trial proceedings continue in each of the cases described above. No trial dates have been set. While we are prosecuting and defending, as applicable, the above actions, there can be no assurance that we will be successful.

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(7) Commitments and Contingencies, Continued

Other Litigation. In addition to the matters described above, in the normal course of business, the Company is subject to routine litigation incidental to the business. While the results of this litigation cannot be predicted with certainty, the Company believes that their final outcome will not have a material adverse effect on its consolidated financial statements taken as a whole.

(8) Business Acquisitions

Nine months ended March 31, 2003

On July 24, 2002 the Company acquired the business of John Stark and Associates, its Texas representative, for total consideration of $300,000 in cash. The acquisition has been accounted for as a purchase and accordingly, the results of operations of John Stark & Associates were included within the Company's consolidated financial statements from July 24, 2002. An amount of $300,000 representing the excess of the purchase price over the fair value of net identifiable assets acquired of $nil, has been recorded as goodwill.

Fiscal year ended June 30, 2002

Servo Magnetics, Inc. (SMI). On May 14, 2002, the Company acquired all of the common stock of Servo Magnetics Incorporated through a merger with our wholly-owned subsidiary, Servo Magnetics Acquisition Inc., for total consideration, including acquisition costs, of $32.6 million. Consideration included the issue of 853,448 shares for fair value of $24.8 million with the balance of the acquisition cost paid in cash. Upon consummation of the merger, the surviving corporation, Servo Magnetics Acquisition Inc., changed its name to Servo Magnetics, Inc.

The acquisition has been accounted for as a purchase and accordingly, the results of operations of SMI have been included in the Company's consolidated financial statements from May 14, 2002. An amount of $30.7 million, representing the excess of the purchase price over the fair value of the net identifiable assets acquired of $1.9 million, has been recorded as goodwill.

Purchased in-process research and development of $350,000 was expensed upon acquisition of SMI because technological feasibility of the products under development had not been established and no further alternative uses existed. The value of in-process technology was calculated by identifying research projects in areas for which technological feasibility had not been established, estimating the costs to develop the purchased in-process technology into commercially viable products, estimating the resulting net cash flows from such products, discounting the net cash flows to present value, and applying the reduced percentage completion of the projects thereto. The discount rates used in the analysis were 19% and were based on the risk profile of the acquired assets.

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(8) Business Acquisitions, Continued

Purchased research and development projects related to electrical motor systems used in the company's flow generator devices and other medical and data storage equipment. Key assumptions used in the analysis included gross margins of 34%. As of the date of acquisition, new motor systems for use in medical and health applications are expected to be completed and commercially available by 2004. These projects have estimated costs to complete totaling approximately $0.5 million.

The Company believes that the assumptions used to value acquired intangible assets noted above were reasonable at the time of acquisition and as at March 31, 2003. No assurance can be given, however, that the underlying assumptions used to estimate expected project revenues, development costs or profitability, or events associated with such projects, will transpire as estimated. For these reasons, among others, actual results may vary from the projected results.

Labhardt AG. On November 15, 2001, the Company's wholly owned subsidiary ResMed International Inc. acquired all the Common Stock of Labhardt AG, its Swiss distributor for total cash consideration including acquisition costs of $5.5 million.

The acquisition has been accounted for as a purchase and accordingly, the results of operations of Labhardt AG have been included in the Company's consolidated financial statements from November 15, 2001. An amount of $4.2 million, representing the excess of the purchase price over the fair value of the net identifiable assets acquired of $1.3 million, has been recorded as goodwill.

Pro-forma financial information related to SMI and Labhardt AG are not included as the effects would not be significant to the consolidated financial statements.

(9) Long-Term Debt

On June 20, 2001 the Company issued $150.0 million of 4% convertible subordinated notes that are due to mature on June 20, 2006. On July 3, 2001, the Company received an additional $30.0 million in over allotments. This increased the total amount of convertible subordinated notes issued to $180.0 million.

The Company may redeem some or all of the notes at any time before June 20, 2004 at a redemption price of $1,000 per $1,000 principal amount of notes, plus accrued and unpaid interest, if any, to the redemption date, if the closing price of the Company's common stock has exceeded 150% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day before the date of mailing of the provisional redemption notice. Upon any such provisional redemption, the Company will make an additional payment in cash equal to $166.67 per $1,000 principal amount of notes, less the amount of any interest actually paid on the notes before the provisional redemption date.

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(9) Long-Term Debt, Continued

The Company may also redeem some or all of the notes at any time on or after June 22, 2004, but prior to June 20, 2005, at a redemption price equal to 101.6% of the principal amount of notes redeemed, and at any time after June 19, 2005, at a redemption price of 100.8% of the principal amount of notes, plus in any case accrued and unpaid interest, if any, to the redemption date, if the closing price of the Company's common stock has exceeded 130% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day before the date of mailing of the optional redemption notice.

The notes are general unsecured obligations and are subordinated to all of the Company's existing and future senior indebtedness and will be effectively subordinated to all of the indebtedness and liabilities of the Company's subsidiaries. The indenture governing the notes does not limit the Company or its subsidiaries from incurring senior indebtedness or other indebtedness.

During the nine months ended March 31, 2003 the Company repurchased $10.0 million face value of its convertible subordinated notes. The total purchase price of the notes was $9.4 million, including $0.2 million in accrued interest. The Company recognized a gain of $0.3 million, net of tax of $0.2 million, on these transactions.

During fiscal 2002, the Company repurchased $56.8 million face value of its convertible subordinated notes. The total purchase price of the notes was $49.1 million, including $0.6 million in accrued interest. The Company recognized a gain of $4.0 million, net of tax of $2.5 million, on these transactions.

The notes are convertible, at the option of the holder, at any time on or prior to maturity, into shares of common stock of ResMed Inc. The notes are convertible at a conversion price of $60.60 per share, which is equal to a conversion rate of 16.5017 shares per $1,000 principal amount of notes, subject to adjustment.

Interest is to be paid on the notes on June 20 and December 20 of each year.

(10) In-Process Research and Development Charge

MAP

On acquisition of MAP in February 2001, the Company recognized as an expense a charge of $17.7 million with respect to five in-process research and development programs under active development by MAP at date of acquisition. The five projects were:

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(10) In-Process Research and Development Charge, Continued

(i) A single-walled nasal cushion mask system.
(ii) A new Headgear System
(iii) Standalone active humidifier
(iv) An Autotitration CPAP device for treatment of Obstructive Sleep Apnea
(v) A new Obstructive Sleep Apnea diagnostic device.

The status of each project is as noted below:

(i) Single-walled nasal cushion

The nasal cushion under development by MAP on acquisition was originally due for release in October 2001. Delays in the design and manufacturing process delayed the release for seven months, until April 2002. The delay in release of the product was not significant over its expected life cycle, and has made no significant impact on the net return assumptions used in the initial IPR&D model. Since release, the product (now referred to as the Papillon) has met or exceeded all sales forecasts.

(ii) New headgear

The new headgear product line was withheld to coincide with the release of the Papillion mask system in April 2002 and so was also seven months behind schedule in projected release dates. Since release, the new headgear system has exceeded original sales projections and continues to meet or exceed initial expectations.

(iii) Standalone Humidifier

Due to other priorities and to the introduction of integrated humidification flow generator devices by a number of competitors during fiscal 2002, we have delayed the standalone humidifier project.

Given the relatively small revenue forecast of the product line in the IPR&D model, the financial impact of this project is not material to ResMed or the net return of the MAP acquisition.

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(10) In-Process Research and Development Charge, Continued

(iv) AutoTitration Device

The main product development effort of MAP since acquisition has been on the completion of the Autotitration CPAP flow generator specified in the initial in-process research and development charge. This project experienced some delays due to the complexity of the software algorithm development process and associated electronics resulting in the product being released in November 2002.

(v) Obstructive Sleep Apnea Diagnostic Device

MAP's new diagnostic device remains on target for initial market release in Calendar 2003 although the forecasted release date of March 2003 was not achieved. We remain confident in the capacity of the device to enhance the diagnostic process, and remain confident in the potential of the product to significantly impact the treatment and diagnosis of Obstructive Sleep Apnea in the German market.

As at March 31, 2003, three of the five programs have been completed with the release of the Papillon Mask system, upgraded headgear and the Magellan Automated flow generator CPAP device. All three products are generating sales revenue consistent with our original expectations and assumptions used in calculating the in-process research and development charge. We expect to release products with respect to both remaining in-process research and development programs over the next twelve-month period, which is generally consistent with our original expectations.

Given the successful completion of the above research programs and performance of the associated product lines, we remain confident in the assumptions used to determine the in-process research and development charge and as a result the net return of the MAP acquisition.

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Net Revenue

Net revenue increased for the three months ended March 31, 2003 to $69.0 million from $52.8 million for the three months ended March 31, 2002, an increase of $16.2 million or 31%. For the nine-month period ended March 31, 2003 net revenue increased to $192.9 million from $147.8 million for the nine-month period ended March 31, 2002, an increase of $45.1 million or 30%.

Both the three-month and nine-month increases in net revenue were attributable to an increase in unit sales of the Company's flow generators and accessories. Sales for the quarter also benefited from an appreciation of international currencies against the US dollar (increasing sales by approximately $5.5 million) and inclusion of sales of $1.6 million from Servo Magnetics Inc (SMI), the subsidiary we acquired in May 2002. Sales for the nine months ended March 31, 2003 also benefited from an appreciation of international currencies against the US dollar (increasing sales by approximately $10.8 million) and inclusion of sales of $5.0 million from Servo Magnetics. Net revenue in North and Latin America increased to $33.8 million from $26.7 million for the quarter, and to $94.4 million from $72.5 million for the nine-month periods ended March 31, 2003 and 2002 respectively. This growth reflects increased public and physician awareness of sleep-disordered breathing. Net revenue in international markets increased to $35.2 million from $26.1 million for the quarter, and to $98.4 million from $75.3 million for the nine-month periods ended March 31, 2003 and 2002 respectively. International sales growth for the quarter and nine months ended March 31, 2003 reflects organic growth in the overall sleep disordered breathing market and appreciation of international currencies against the U.S. dollar. Growth was partially constrained by lower growth in the Asia Pacific region, primarily due to the Japanese market, where we have experienced delays in regulatory approval for the Autoset Spirit. Formal regulatory approval was received in May 2003.

Sales of flow generators for the three months ended March 31, 2003 increased by 24% compared to the quarter ended March 31, 2002; including increases of 23% in North and Latin America and 24% elsewhere. Sales of mask systems, motors and other accessories increased by 39%; including increases of 30% in North and Latin America and 51% elsewhere, for the nine months ended March 31, 2003 compared to the nine months ended March 31, 2002. These increases reflect growth in the overall sleep-disordered breathing market, appreciation of international currencies against the U.S. dollar and our acquisition of SMI.

For the nine months ended March 31, 2003, sales of flow generators increased by 24% compared to the nine months ended March 31, 2002; including increases of 24% in North and Latin America and 23% elsewhere. Sales of mask systems, motors and other accessories increased by 39%; 35% in North and Latin America and 42% elsewhere, for the nine months ended March 31, 2003 compared to the nine months ended March 31, 2002. The increases reflect growth in the overall sleep-disordered breathing market, appreciation of international currencies against the U.S. dollar and our acquisition of SMI.

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Gross Profit

Gross profit increased for the three months ended March 31, 2003 to $43.2 million from $33.8 million for the three months ended March 31, 2002, an increase of $9.4 million or 28%. Gross profit as a percentage of net revenue decreased marginally for the quarter ended March 31, 2003 to 63% from 64% for the quarter ended March 31, 2002 reflecting the impact of slightly higher manufacturing costs resulting from a stronger Australian dollar against the US dollar (as the majority of manufacturing labor and overhead costs are incurred in Australia) and, to a lesser extent, the inclusion of SMI's operations, which, as motor sales, achieve lower margins compared to the Company's overall gross margin.

For the nine months ended March 31, 2003 gross profit increased to $122.7 million from $96.4 million in the same period of fiscal 2002, an increase of $26.3 million or 27%. Gross profit as a percentage of net revenue decreased for the nine months ended March 31, 2003 to 64% from 65% for the nine months ended March 31, 2002. The decline reflects the impact of slightly higher manufacturing costs resulting from a stronger Australian dollar against the US dollar (as the majority of manufacturing labor and overhead costs are incurred in Australia) and, to a lesser extent, the inclusion of SMI operations, which, as motor sales, achieve lower margins compared to the Company's overall gross margin.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased for the three months ended March 31, 2003 to $21.0 million from $16.4 million for the three months ended March 31, 2002, an increase of $4.6 million or 28%. As a percentage of net revenue, selling, general and administrative expenses for the three months ended March 31, 2003 decreased to 30% compared to 31% for the three months ended March 31, 2002. The increase in selling, general and administrative expenses was primarily due to an increase in the number of sales and administrative personnel and other expenses related to the increase in Company sales. The increase in selling, general and administrative expenses was also attributable to appreciation of international currencies against the US dollar (adding approximately $1.8 million), the inclusion of $0.7 million from SMI's operations, and $0.5 million in litigation costs associated with outstanding patent infringement lawsuits against competitors.

Selling, general and administrative expenses for the nine months ended March 31, 2003 increased to $59.7 million from $45.5 million for the nine months ended March 31, 2002, an increase of $14.2 million or 31%. As a percentage of net revenue, selling, general and administration expenses were 31% for the nine months ended March 31, 2003 consistent with the nine months ended March 31, 2002. The increase in selling, general and administrative expenses was primarily due to an increase in the number of sales and administrative personnel and other expenses related to the increase in Company sales. The increase in selling, general and administrative expenses was also attributable to appreciation of international currencies against the US dollar (adding approximately $3.5 million), the inclusion of $2.0 million from SMI's operations, and $1.2 million in litigation costs associated with outstanding patent infringement lawsuits against competitors.

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Research and Development Expenses

Research and development expenses increased for the three-months ended March 31, 2003 to $5.1 million from $3.8 million for the three months ended March 31, 2002, an increase of $1.3 million or 34%. As a percentage of net revenue, research and development expenses were 7.3% for the three months ended March 31, 2003 compared to 7.2% for the three months ended March 31, 2002. The increase in research and development expenses was due to increased salaries associated with an increase in personnel and increased charges for consulting fees, clinical trials and technical assessments incurred to facilitate development of new products. The increase also reflects an appreciation of the Australian dollar against the US dollar, as the majority of research and development costs are incurred in Australian dollars. In constant currency terms, research and development expenses for the three months ended March 31, 2003 increased by $0.7 million or 17%, compared to the three months ended March 31, 2002.

For the nine-month period ended March 31, 2003 research and development expenses increased to $14.3 million from $10.8 million for the same period in fiscal 2002, an increase of $3.5 million or 33%. As a percentage of net revenue, research and development expenses were 7.4% for the nine months ended March 31, 2003 compared to 7.3% for the nine months ended March 31, 2002. The increase in research and development expenses was due to increased salaries associated with an increase in personnel and increased charges for consulting fees, clinical trials and technical assessments incurred to facilitate development of new products. To a lesser extent, the increase also reflects an appreciation of the Australian dollar against the US dollar, as the majority of research and development costs are incurred in Australian dollars. In constant currency terms, research and development expenses for the nine months ended March 31, 2003 increased by $2.3 million or 22%, compared to the nine months ended March 31, 2002.

Other Income (Expense), Net

Other income, net for the three months ended March 31, 2003 of $0.9 million was lower than the three months ended March 31, 2002 of $2.5 million. The reduction in other income, net is attributable to no gains on debt extinguishment this quarter, partially offset by increased net foreign currency gains. Interest expense was also lower due to the reduction in convertible note debt and increased cash holdings. For the three months ended March 31, 2003, we recorded foreign exchange gains of $1.4 million arising from gains on our foreign currency hedging instruments.

Other income (expenses), net decreased for the nine months ended March 31, 2003 to net expense of $1.5 million from net income of $1.0 million for the nine months ended March 31, 2002. The decrease in other income was attributable to lower gains on extinguishment of debt and lower net foreign currency exchange gains, partially offset by lower interest expense due to the reduction in convertible note debt.

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Income Taxes

The Company's effective income tax rate increased to approximately 32% for the three months ended March 31, 2003 from approximately 31.3% for the three months ended March 31, 2002. For the nine-month period ended March 31, 2003, it increased to 31.8% from 31.1% for the nine-month period ended March 31, 2002. The marginally higher tax rate was primarily due to the geographical mix of taxable income. The Company continues to benefit from the Australian corporate tax rate of 30%, because the Company generates a majority of its taxable income in Australia.

In-Process Research and Development Charge

On acquisition of MAP in February 2001, the Company recognized as an expense a charge of $17.7 million with respect to five in-process research and development programs under active development by MAP at date of acquisition. The five projects were:

(i) A single-walled nasal cushion mask system
(ii) New Headgear gear system
(iii) Standalone active humidifier
(iv) An Autotitration CPAP device for treatment of Obstructive Sleep Apnea
(v) A new Obstructive Sleep Apnea diagnostic device

The status of each project is as noted below:

(i) Single-walled nasal cushion

The nasal cushion under development by MAP on acquisition was originally due for release in October 2001. Delays in the design and manufacturing process delayed the release for seven months, until April 2002. The delay in release of the product was not significant over its expected life cycle, and has made no significant impact on the net return assumptions used in the initial IPR&D model. Since release, the product (now referred to as the Papillon) has met or exceeded all sales forecasts.

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In-Process Research and Development Charge, Continued

(ii) New headgear

The new headgear product line was withheld to coincide with the release of the Papillion mask system in April 2002 and so was also seven months behind schedule in projected release dates. Since release, the new headgear system has exceeded original sales projections and continues to meet or exceed initial expectations.

(iii) Standalone Humidifier

Due other priorities and to the introduction of integrated humidification flow generator devices by a number of competitors during fiscal 2002, we have delayed the standalone humidifier project.

Given the relatively small revenue forecast of the product line in the IPR&D model, the financial impact of this project is not material to ResMed or the net return of the MAP acquisition.

(iv) AutoTitration Device

The main product development effort of MAP since acquisition has been on the completion of the Autotitration CPAP flow generator specified in the initial in-process research and development charge. This project experienced some delays due to the complexity of the software algorithm development process and associated electronics. MAP released the product in November 2002.

(v) Obstructive Sleep Apnea Diagnostic Device

MAP's new diagnostic device remains on target for initial market release in Calendar 2003, although the forecasted release date of March 2003 was not achieved. We remain confident in the capacity of the diagnostic algorithm to significantly enhance the diagnostic process, and remain confident in the potential of the product to significantly impact the treatment and diagnosis of obstructive sleep apnea in the German market.

As at March 31, 2003, three of the five programs have been completed with the release of the Papillon Mask system, upgraded headgear and the Magellan Automated flow generator device. All three products are generating sales revenue consistent with our original expectations and assumptions used in calculating the in-process research and development charge. We expect to release products with respect to both remaining in-process research and development programs over the next twelve-month period, which is generally consistent with our original expectations.

Given the successful completion of the above research programs and performance of the associated product lines, we remain confident in the assumptions used to determine the in-process research and development charge and as a result the net return of the MAP acquisition.

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Liquidity and Capital Resources

As of March 31, 2003 and June 30, 2002, the Company had cash and cash equivalents and marketable securities available-for-sale of approximately $103.3 million and $92.8 million, respectively. The Company's working capital approximated $167.2 million and $142.8 million, at March 31, 2003 and June 30, 2002, respectively.

Inventory as at March 31, 2003 increased by $8.1 million or 20% to $49.3 million compared to June 30, 2002 inventories of $41.2 million. This increase in inventory was broadly in line with a 23% incremental increase in revenues in the three months ended March 31, 2003 compared to the three months ended June 30, 2002. Accounts receivable as at March 31, 2003 were $52.6 million, an increase of $6.4 million or 14% over the June 30, 2002 accounts receivables balance of $46.2 million. This was lower than the 23% incremental increase in revenues for the three months ended March 31, 2003 compared to the three months ended June 30, 2002, reflecting improved collections. Accounts receivable days outstanding improved to 68 days for the March 31, 2003 quarter, compared to 72 days for the June 30, 2002 quarter.

During the nine months ended March 31, 2003, the Company generated cash of $37.1 million from operations, primarily as a result of increased profit from operations, and increased accounts payable and accrued expenses offset by increases in inventory and accounts receivable balances. During the nine months ended March 31, 2002 our operations generated approximately $27.2 million of cash.

The Company's capital expenditures for the nine-month periods ended March 31, 2003 and 2002 aggregated $16.5 million and $15.8 million respectively. The majority of the expenditures in the nine-month period ended March 31, 2003 related to the construction of the Company's new manufacturing facility in Sydney, Australia, acquisition of computer hardware and software including a disaster recovery system and purchase of production tooling and equipment. As a result of these capital expenditures, the Company's March 31, 2003 balance sheet reflects net property plant and equipment of approximately $92.2 million at March 31, 2003 compared to $79.3 million at June 30, 2002.

During the nine months ended March 31, 2003 and the fiscal year ended June 30, 2002, we repurchased $10.0 million and $56.8 million face value of our convertible subordinated notes respectively. The total purchase price of the notes repurchased during the nine months ended March 31, 2003 was $9.4 million, including $0.2 million in accrued interest. We recognized a gain, net of tax, of $0.3 million on these transactions. As of March 31, 2003 and June 30, 2002, we had convertible subordinated notes outstanding of $113.3 million and $123.3 million respectively.

We may from time to time seek to retire our convertible subordinated notes through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions, or otherwise. Any repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, and any current or future contractual obligations, if any, that may directly or indirectly apply to such transactions.

On October 2, 2001, we paid $1.4 million as final consideration associated with the purchase of MAP on February 16, 2001. The amount has been recorded as goodwill.

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Management's Discussion and Analysis of Financial Condition and Results of Operation

On November 15, 2001, we acquired all of the common stock of Labhardt AG, our Swiss distributor, for total cash consideration, including acquisition costs, of $5.5 million. The acquisition has been accounted for as a purchase and, accordingly, the results of operations of Labhardt AG have been included in our consolidated financial statements from November 15, 2001. The excess of the purchase price over the fair value of the net identifiable assets acquired of $1.3 million has been recorded as goodwill.

On April 26, 2002, we settled our purchase of a 30-acre site at Norwest Business Park, located northwest of Sydney, Australia. The acquisition cost was $23.6 million, with the final payment of $6.3 million due in April 2003. We expect the first building, a manufacturing and warehouse facility, to be completed on this site in February 2004. We expect to complete new research and development and office facilities in calendar 2005. We estimate that the total building costs to be incurred on the first building will be approximately $32.0 million and we expect to fund this expenditure through existing cash reserves and cash generated from operations.

On May 8, 2002, we completed a sale and leaseback transaction of our Australian facility located at North Ryde in Sydney, Australia. The property was sold for $18.5 million with a three-year leaseback and a further one-year option. The profit before tax on sale of the property of $5.5 million will be amortized over the lease period. We will utilize the cash available from the sale to construct our new facilities at Norwest Business Park, which is also located in Sydney, Australia.

On May 14, 2002 we acquired all of the common stock of Servo Magnetics Inc. ("SMI") for total consideration, including acquisition costs, of $32.6 million. Consideration included the issue of 853,448 shares for fair value of $24.8 million, with the balance of the acquisition cost paid in cash. Subsequent to the acquisition, we repaid all SMI's existing bank loans totaling $3.0 million.

The acquisition has been accounted for as a purchase and accordingly, the results of operations of SMI have been included in the our consolidated financial statements from May 14, 2002. An amount of $30.7 million, representing the excess of the purchase price over the fair value of the net identifiable assets acquired of $1.9 million, has been recorded as goodwill.

On June 6, 2002, the Board of Directors authorized us to repurchase up to 4 million shares of our outstanding common stock. For fiscal year 2002, we repurchased 290,047 shares at a cost of $7.9 million and during the nine months ended March 31, 2003 we repurchased 125,318 shares at a cost of $3.5 million. We may continue to repurchase shares of our common stock for cash in the open market, or in negotiated or block transactions, from time to time as market and business conditions warrant.

RESMED INC AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and Results of Operation

Liquidity and Capital Resources, Continued

Details of contractual obligations at March 31, 2003 were as follows:

	Payments Due by Period			
In $ 000's	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-Term Debt	$-	$113,250	$-	$-
Operating Leases	6,215	9,413	3,973	720
Unconditional Purchase Obligations[1]	31,742	3,771	-	-
Total Contractual Cash Obligations	37,957	126,434	3,973	720

[1] The figure includes unconditional purchase obligations of $29.2 million relating to the construction of our manufacturing and warehouse facility at Norwest in Sydney, Australia.

Details of other commercial commitments at March 31, 2003 were as follows:

In $000's	Total Amounts Committed	Amount of Commitment Expiration Per Period			
		Less than 1 year	1-3 years	4-5 years	Over 5 years
Lines of Credit	$112	$112	$-	$-	$-
Standby Letters of Credit	-	-	-	-	-
Guarantees[1]	8,371	6,351	707	-	1,313
Standby Repurchase Obligations		-	-	-	-
Other Commercial Commitments	-	-	-	-	-
Total Commercial Commitments	8,483	6,463	707	-	1,313

[1] The above guarantees relate to guarantees provided by banks. Guarantees of $6.3 million relate to deferred payments due on our land purchase at Norwest and have been recorded as a liability in our financial accounts. The guarantees are secured by cash deposits held with the bank. The balance of the guarantees relate to guarantees required by statutory authorities as a pre-requisite to developing our site at Norwest and requirements under contractual obligations with insurance companies transacting with our German subsidiaries.

The results of our international operations are affected by changes in exchange rates between currencies. Changes in exchange rates may negatively affect our consolidated net revenue and gross profit margins from international operations. We are exposed to the risk that the dollar value equivalent of anticipated cash flows may be adversely affected by changes in foreign currency exchange rates. We manage this risk through foreign currency option contracts.

We expect to satisfy all of our short-term and long-term liquidity requirements through a combination of cash on hand and cash generated from operations.

RESMED INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and Results of Operation

Critical Accounting Principles and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis we evaluate our estimates, including those related to allowance for doubtful accounts, inventory reserves, warranty obligations, goodwill, impaired assets, intangible assets, income taxes and contingencies.

We state these accounting policies in the notes to the financial statements and at relevant sections in this discussion and analysis. The estimates are based on the information that is currently available to us and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could vary from those estimates under different assumptions or conditions.

We believe that the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our financial statements:

(1) Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments, which results in bad debt expense. We determine the adequacy of this allowance by continually evaluating individual customer receivables, considering customer's financial condition, credit history and current economic conditions. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(2) Inventory Adjustments. Inventories are stated at lower of cost or market and are determined by the first-in, first-out method. We review the components of inventory on a regular basis for excess, obsolete and impaired inventory based on estimated future usage and sales. The likelihood of any material inventory write-downs is dependent on changes in competitive conditions, new product introductions by us or our competitors, or rapid changes in customer demand.

(3) Valuation of Goodwill, Intangible and Other Long-Lived Assets. We use assumptions in establishing the carrying value, fair value and estimated lives of our long-lived assets and goodwill. The criteria used for these evaluations include management's estimate of the asset's continuing ability to generate positive income from operations and positive cash flow in future periods compared to the carrying value of the asset, as well as the strategic significance of any identifiable intangible asset in our business objectives. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of the assets. Useful lives and related amortization or depreciation expense are based on our estimate of the period that the assets will generate revenues or otherwise be used by us.

RESMED INC. AND SUBSIDIARIES
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Critical Accounting Principles and Estimates, Continued

Factors that would influence the likelihood of a material change in our reported results include significant changes in the asset's ability to generate positive cash flow, loss of legal ownership or title to the asset, a significant decline in the economic and competitive environment on which the asset depends, significant changes in our strategic business objectives, utilization of the asset, and a significant change in the economic and/or political conditions in certain countries.

(4) Valuation of Deferred Income Taxes. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The likelihood of a material change in our expected realization of these assets is dependent on future taxable income, our ability to deduct tax loss carryforwards against future taxable income, the effectiveness of our tax planning and strategies among the various tax jurisdictions that we operate in, and any significant changes in the tax treatment received on our business combinations.

(5) Provision for Warranty. We provide for the estimated cost of product warranties at the time the related revenue is recognized. The amount of this provision is determined by using a financial model which takes into consideration actual historical expenses and potential risks associated with our different products. This financial model is then used to calculate the future probable expenses related to warranty and the required level of the warranty provision. Although we engage in product improvement programs and processes, our warranty obligation is affected by product failure rates and costs incurred to correct those product failures. Should actual product failure rates or estimated costs to repair those product failures differ from our estimates, revisions to our estimated warranty provision would be required.

(6) Revenue Recognition. Revenue on product sales is recorded at the time of shipment, at which time title transfers to the customer. Revenue on product sales which require customer acceptance is not recorded until acceptance is received. Royalty revenue from license agreements is recorded when earned. Service revenue received in advance from service contracts is initially deferred and recognized ratably over the life of the service contract. Revenue received in advance from rental unit contracts is initially deferred and recognized ratably over the life of the rental contract. Revenue from sale of marketing and distribution rights is initially deferred and recognized ratably as revenue over the life of the contract. Freight charges billed to customers are included in revenue. All freight-related expenses are charged to cost of sales.

We do not offer a right of return or other recourse with respect to the sale of our products or similarly offer variable sale prices for subsequent events or activities. However, as part of our sales processes we may provide upfront discounts for large orders, one time special pricing to support new product introductions, sales rebates for centralized purchasing entities or price-breaks for regular order volumes. The costs of all such programs are recorded as an adjustment to revenue. In our domestic sales activities we use a number of Manufacturer Representatives to sell our products. These representatives are paid a direct commission on sales and act as an integral component of our domestic sales force. We do not sell our products to these representatives, and do not recognize revenue on such shipments. Our products are predominantly therapy based equipment and require no installation. As such, we have no significant installation obligations.

RESMED INC. AND SUBSIDIARIES
Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Market Risk

Our functional currency is the U.S. dollar, although we transact business in various foreign currencies including a number of major European currencies, as well as the Australian dollar. We have significant foreign currency exposure through both our Australian manufacturing activities and international sales operations.

We have established a foreign currency hedging program using purchased currency options to hedge foreign-currency-denominated financial assets, liabilities and manufacturing expenditure. The goal of this hedging program is to economically guarantee or lock in the exchange rates on our foreign currency exposures denominated in Euros and the Australian dollar. Under this program, increases or decreases in our foreign-currency-denominated financial assets, liabilities, and firm commitments are partially offset by gains and losses on the hedging instruments.

The table below provides information in US dollar equivalents on our foreign-currency denominated financial assets by legal entity functional currency as of March 31, 2003 (in thousands):

	Foreign Currency Financial Assets							
	Australian dollar	US dollar	Euro	Great Britain Pound	Singapore dollar	NZ dollar	Swedish Kroner	Swiss Franc
AUD Functional Currency Entities:								
Assets	$ -	30,832	10,015	1,670	1,502	833	739	409
Liability	$ -	(7,060)	(117)	(3,933)	(96)	(4)	(19)	-
Net Total	$ -	23,772	9,898	(2,263)	1,406	829	720	409
USD Functional Currency Entities:								
Assets	$ 19,243	-	-	-	-	-	-	-
Liability	$ -	-	-	-	-	-	-	-
Net Total	$ 19,243	-	-	-	-	-	-	-
Euro Functional Currency Entities:								
Assets	$ 8,619	69	-	-	-	-	-	1,608
Liability	-	(220)	-	-	-	-	-	-
Net Total	$ 8,619	(151)	-	-	-	-	-	1,608

The table below provides information about our foreign currency derivative financial instruments and presents such information in U.S. dollar equivalents. The table summarizes information on instruments and transactions that are sensitive to foreign currency exchange rates, including foreign currency call options held at March 31, 2003. The table presents the notional amounts and weighted average exchange rates by contractual maturity dates for our foreign currency derivative financial instruments. These notional amounts generally are used to calculate payments to be exchanged under the options contracts.

RESMED INC AND SUBSIDIARIES
Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Market Risk, Continued

(In thousands except exchange rates)	FY 2003	FY 2004	FY2005	TOTAL	Total Fair Value Assets / (Liabilities) March 31, 2003	Total Fair Value Assets / (Liabilities) June 30, 2002
Foreign Exchange Call Options						
(Receive AUS$/Pay U.S.$)						
Option amount	$12,000	$66,000	$24,000	$102,000	$1,356	$2,341
Average contractual exchange rate	AUS $1 = USD 0.64	AUS$1=USD 0.607	AUS $1 = USD 0.647	AUS$1= USD 0.620		
(Receive AUS$/Pay Euro)						
Option amount	$6,105	$18,302	$ -	$24,407	$134	$423
Average contractual exchange rate	AUS $1 = Euro 0.595	AUS$1=Euro 0.595		AUS$1= Euro 0.595		
Total					1,490	2,764

Interest Rate Risk

We are exposed to risk associated with changes in interest rates affecting the return on investments.

At March 31, 2003, we maintained a portion of our cash and cash equivalents in financial instruments with original maturities of three months or less. We maintain a short-term investment portfolio containing financial instruments in which the majority of funds invested have original maturities of greater than three months but less than twelve months. The financial instruments, principally comprised of corporate obligations, are subject to interest rate risk and will decline in value if interest rates increase.

A hypothetical 100 basis point change in interest rates during the three months ended March 31, 2003, would have resulted in approximately $0.2 million change in pre-tax income. In addition, the value of our marketable securities would change by approximately $0.1 million following a hypothetical 100 basis point change in interest rates. We do not use derivative financial instruments in our investment portfolio.

Forward-Looking Statements

This report on Form 10-Q contains or may contain certain forward-looking statements and information that are based on the beliefs of our management as well as estimates and assumptions made by, and information currently available to, our management. The words “believe,” “expect,” “anticipate,” “estimate,” “plan,” “future” and other similar expressions generally identify forward-looking statements, including, in particular, statements regarding the development and approval of new products and product applications, market expansion, pending litigation and the development of new markets for our products, such as cardiovascular and stroke markets. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on these forward-looking statements. Such forward-looking statements reflect the views of our management at the time such statements are made and are subject to a number of risks, uncertainties, estimates and assumptions, including, without limitation, and in addition to those identified in the text surrounding such statements, those identified below and elsewhere in this report.

RESMED INC AND SUBSIDIARIES
Quantitative and Qualitative Disclosures About Market Risk

Forward-Looking Statements, Continued

In addition, important factors to consider in evaluating such forward-looking statements include changes or developments in social, economic, market, legal or regulatory circumstances, changes in our business or growth strategy or an inability to execute our strategy due to changes in our industry or the economy generally, the emergence of new or growing competitors, the actions or omissions of third parties, including suppliers, customers, competitors and governmental authorities, and various other factors. Should any one or more of these risks or uncertainties materialize, or the underlying estimates or assumptions prove incorrect, actual results may vary significantly from those expressed in such forward-looking statements, and there can be no assurance that the forward-looking statements contained in this report will in fact occur.

Risk Factors

The risks and uncertainties that may affect our business, financial condition or results of operations include the following:

Our inability to compete successfully in our markets may harm our business. The markets for our sleep-disordered breathing products are highly competitive and are characterized by frequent product improvements and evolving technology. Our ability to compete successfully depends, in part, on our ability to develop innovative new products and to be the first to market with those products. The development of innovative new products by our competitors or the discovery of alternative treatments or potential cures for the conditions that our products treat could result in our products becoming noncompetitive or obsolete.

Additionally, some of our competitors have greater financial, research and development, manufacturing and marketing resources than we do. The past several years have seen a trend towards consolidation in the health care industry and in the markets for our products. Industry consolidation could result in greater competition if our competitors combine their resources or if our competitors are acquired by other companies with greater resources than ours. This competition could increase pressure on us to reduce the selling prices of our products or could cause us to increase our spending on research and development and sales and marketing. If we are unable to develop innovative new products, maintain competitive pricing, and offer products that consumers perceive to be as reliable as those of our competitors, our sales or gross margins could decrease which would harm our business.

Our business depends on our ability to market effectively to dealers of home health care products and sleep clinics. We market our products primarily to home health care dealers and to sleep clinics that diagnose obstructive sleep apnea and other sleep disorders. We believe that home health care dealers and sleep clinics play a significant role in determining which brand of product a patient will use. The success of our business depends on our ability to market effectively to home health care dealers and sleep clinics to ensure that our products are properly marketed and sold by these third parties.

RESMED INC AND SUBSIDIARIES
Quantitative and Qualitative Disclosures About Market Risk

Risk Factors, Continued

We have limited resources to market to the more than 2,000 U.S. sleep clinics and the more than 4,000 home health care dealer branch locations, most of which use, sell or recommend several brands of products. In addition, home health care dealers have experienced price pressures as government and third-party reimbursement have declined for home care products, and home health care dealers are requiring price discounts and longer periods of time to pay for products purchased from us. We cannot assure you that sleep clinic physicians will continue to prescribe our products, or that home health care dealers or patients will not substitute competing products when a prescription specifying our products has been written.

We intend to expand our marketing activities to target the population with a predisposition to sleep-disordered breathing as well as primary care physicians and various medical specialists. We cannot assure you that these marketing efforts will be successful in increasing awareness of our products.

Any inability to effectively market our products outside the U.S. could impact our profitability. Approximately half our revenues are generated outside the U.S., in approximately 60 different countries. Many of these countries have unique regulatory, medical, and business environments. If we are unable to market our products effectively outside the U.S., our overall financial performance could decline.

If we are unable to support our continued growth, our business could suffer. We have experienced rapid and substantial growth. As we continue to grow, the complexity of our operations increases, placing greater demands on our management. Our ability to manage our growth effectively depends on our ability to implement and improve our financial and management information systems on a timely basis and to effect other changes in our business. Unexpected difficulties during expansion, the failure to attract and retain qualified employees, the failure to successfully replace or upgrade our management information systems, the failure to manage costs or our inability to respond effectively to growth or plan for future expansion could cause our growth to stop. If we fail to manage our growth, our business could suffer.

If we fail to integrate our recent acquisitions with our operations, our business could suffer. The integration of our acquired operations requires significant efforts from our company and the acquired entity, for several years after each acquisition. Although we acquired our MAP subsidiary in February 2001, our Labhardt subsidiary in November 2001, and our Servo Magnetics subsidiary in May 2002, we continue to adjust our business strategies, equipment, and personnel to achieve maximum efficiencies and success. If we are not able to successfully integrate the operations of our acquired entities, we may not fully realize the anticipated benefits of the acquisitions.

RESMED INC AND SUBSIDIARIES
Quantitative and Qualitative Disclosures About Market Risk

Risk Factors, Continued

We manufacture substantially all of our products outside the U.S. and sell a significant portion of our products in non-U.S. markets, subjecting us to various risks relating to international activities that could adversely affect our overall profitability. Sales outside North and Latin America accounted for approximately 51%, 48%, and 46% of our net revenues in fiscal years 2002, 2001 and 2000, respectively. We expect that sales within these areas will account for approximately 50% of our net revenues in the foreseeable future. Our sales outside of North America and our operations in Europe, Australia and Asia are subject to several difficulties and risks that are separate and distinct from those we face in our domestic operations, including:

- fluctuations in currency exchange rates;
- tariffs and other trade barriers;
- compliance with foreign medical device manufacturing regulations;
- reduction in third party payer reimbursement for our products;
- inability to obtain import licenses;
- changes in trade policies and in domestic and foreign tax policies;
- possible changes in export or import restrictions; and
- the modification or introduction of other governmental policies with potentially adverse effects

Fluctuations in foreign currency exchange rates could result in declines in our reported sales and earnings. Since our international sales and a significant portion of our manufacturing costs are denominated in local currencies and not in U.S. dollars, our reported sales and earnings are subject to fluctuations in foreign exchange rates. We had foreign currency transaction losses in recent periods and may have further losses in the future. We expect that international sales will continue to be a significant portion of our business and that a significant portion of our manufacturing costs will continue to be denominated in Australian dollars.

Government and private insurance plans may not reimburse patients for our products, which could result in reductions in sales or selling prices for our products. Our ability to sell our products depends in large part on the extent to which reimbursement for the cost of our products will be available from government health administration authorities, private health insurers and other organizations. These third party payers are increasingly challenging the prices charged for medical products and services. Therefore, even if a product is approved for marketing, we cannot assure you that reimbursement will be allowed for such product or that the reimbursement amount will be adequate or, if adequate, will not subsequently be reduced. For example, in some markets, such as Spain, France and Germany, government reimbursement is currently available for purchase or rental of our products but is subject to constraints such as price controls or unit sales limitations. In other markets, such as Australia and the United Kingdom, there is currently limited or no reimbursement for devices that treat sleep-disordered breathing conditions. Additionally, future legislation or regulation concerning the health care industry or third party or governmental coverage and reimbursement, particularly, legislation or regulation limiting consumers' reimbursement rights may harm our business.

RESMED INC AND SUBSIDIARIES
Quantitative and Qualitative Disclosures About Market Risk

Risk Factors, Continued

As we continue to develop new products, those products will generally not qualify for reimbursement, if at all, until they are approved for marketing. In the United States, we sell our products primarily to home health care dealers and to sleep clinics. We do not file claims and bill governmental programs and other third party payers directly for reimbursement for our products. However, we are still subject to laws and regulations relating to governmental reimbursement programs, particularly Medicaid and Medicare.

In particular, the federal Anti-Kickback Law prohibits persons from knowingly and willfully soliciting, receiving, offering or providing remuneration, directly or indirectly, to induce either the referral of an individual, or the furnishing, recommending or arranging for a good or service, for which payment may be made under a federal healthcare program such as the Medicare and Medicaid programs. The government has interpreted this law broadly to apply to the marketing and sales activities of manufacturers and distributors like us. Many states and other governments have adopted laws similar to the federal Anti-Kickback Law. We are also subject to other federal and state fraud laws applicable to payment from any third party payer. These laws prohibit persons from knowingly and willfully filing false claims or executing a scheme to defraud any healthcare benefit program, including private third party payers. These laws may apply to manufacturers and distributors who provide information on coverage, coding, and reimbursement of their products to persons who do bill third party payers. Any violation of these laws and regulations could result in civil and criminal penalties, including fines.

Complying with Food and Drug Administration and other regulations is an expensive and time-consuming process, and any failure to comply could result in substantial penalties. We are subject to various federal, state, local and international regulations regarding our business activities. Failure to comply with these regulations could result in, among other things, recalls of our products, substantial fines and/or criminal charges against us and our employees.

Product sales, introductions or modifications may be delayed or canceled as a result of the FDA or similar foreign regulations, which could cause our sales to decline. Before we can market or sell a new medical device in the United States, we must obtain FDA clearance, which can be a lengthy and time-consuming process. We generally receive clearance from the FDA to market our products in the United States under Section 510(k) of the Federal Food, Drug, and Cosmetic Act or our products are exempt from the 510(k) clearance process. We have modified some of our 510(k) approved products without submitting new 510(k) notices, which we do not believe were required. However, if the FDA disagrees with us and requires us to submit new 510(k) notifications for modifications to our existing products, we may be required to stop marketing the products while the FDA reviews the 510(k) notification. Any new product introduction or existing product modification could be subjected to a lengthier, more rigorous FDA examination process. For example, in certain cases we may need to conduct clinical trials of a new product prior to submitting a 510(k) notice. Additionally, we may be required to obtain premarket approvals for our products. The requirements of these more rigorous processes could delay product introductions and increase the costs associated with FDA compliance. Marketing and sale of our products outside the United States are also subject to regulatory clearances and approvals, and if we fail to obtain these regulatory approvals, our sales could suffer.

RESMED INC AND SUBSIDIARIES
Quantitative and Qualitative Disclosures About Market Risk

Risk Factors, Continued

We cannot assure you that any new products we develop will receive required regulatory approvals from U.S. or foreign regulatory agencies.

Off label marketing of our products could result in substantial penalties. Clearance under Section 510(k) only permits us to market our products for the uses indicated on the labeling cleared by the FDA. We may request additional label indications for our current products, and the FDA may deny those requests outright, require additional expensive clinical data to support any additional indications or impose limitations on the intended use of any cleared products as a condition of clearance. If the FDA determines that we have marketed our products for off label use, we could be subject to fines, injunctions or other penalties.

Disruptions in the supply of components from our single source suppliers could result in a significant reduction in sales and profitability. We purchase uniquely configured components for our devices from various suppliers, including some in which we use single-source suppliers. We cannot assure you that a replacement supplier would be able to configure its components for our devices on a timely basis or, in the alternative, that we would be able to reconfigure our devices to integrate the replacement part. A reduction or stoppage in supply while a replacement supplier reconfigures its components, or while we reconfigure our components for the replacement part, would limit our ability to manufacture our devices, which could result in a significant reduction in sales and profitability. We cannot assure you that our inventories would be adequate to meet our production needs during any prolonged interruption of supply.

Our intellectual property may not protect our products, and our products may infringe on the intellectual property rights of third parties. We rely on a combination of patents, trade secrets and non-disclosure agreements to protect our intellectual property. Our success depends, in part, on our ability to obtain and maintain United States and foreign patent protection for our products, their uses and our processes to preserve our trade secrets and to operate without infringing on the proprietary rights of third parties. We have a number of pending patent applications, and we do not know whether any patents will issue from any of these applications. We do not know whether any of the claims in our issued patents or pending applications will provide us with any significant protection against competitive products or otherwise be commercially valuable. Legal standards regarding the validity of patents and the proper scope of their claims are still evolving, and there is no consistent law or policy regarding the valid breadth of claims. Additionally, there may be third party patents, patent applications and other intellectual property relevant to our products and technology which are not known to us and that block or compete with our products.

RESMED INC AND SUBSIDIARIES
Quantitative and Qualitative Disclosures About Market Risk

Risk Factors, Continued

We face the risks that:

- third parties will infringe our intellectual property rights;
- our non-disclosure agreements will be breached;
- we will not have adequate remedies for infringement;
- our trade secrets will become known to or independently developed by our competitors; or
- any third parties will be issued patents that may prevent the sale of our products or require us to license and pay fees or royalties in order for us to be able to market some of our products.

We are currently engaged in litigation relating to the enforcement and defense of a number of our patents. Additional litigation may be necessary to enforce patents issued to us, to protect our proprietary rights, or to defend third party claims that we have infringed upon proprietary rights of others. The defense and prosecution of patent claims, including these pending claims, as well as participation in other inter-party proceedings, can be expensive and time consuming, even in those instances in which the outcome is favorable to us. If the outcome of any litigation or proceeding brought against us were adverse, we could be subject to significant liabilities to third parties, could be required to obtain licenses from third parties or could be required to cease sales of the affected products. Additionally, the laws regarding the enforceability of patents vary from country to country, and we cannot assure you that any patent issues we face will be uniformly resolved, or that local laws will provide us with consistent rights and benefits.

We are subject to potential product liability claims that may exceed the scope and amount of our insurance coverage, which would expose us to liability for uninsured claims. We are subject to potential product liability claims as a result of the design, manufacture and marketing of medical devices. Any product liability claim brought against us, with or without merit, could result in the increase of our product liability insurance rates. In addition, we would have to pay any amount awarded by a court in excess of our policy limits. Our insurance policies have various exclusions, and thus we may be subject to a product liability claim for which we have no insurance coverage, in which case, we may have to pay the entire amount of any award. We cannot assure you that our insurance coverage will be adequate or that all claims brought against us will be covered by our insurance. Insurance varies in cost and can be difficult to obtain, and we cannot assure you that we will be able to obtain insurance in the future on terms acceptable to us or at all. A successful product liability claim brought against us in excess of our insurance coverage, if any, may require us to pay substantial amounts, which could harm our business.

Our quarterly operating results are subject to fluctuation for a variety of reasons. Our operating results have, from time to time, fluctuated on a quarterly basis and may be subject to similar fluctuations in the future. These fluctuations may result from a number of factors, including:

RESMED INC AND SUBSIDIARIES
Quantitative and Qualitative Disclosures About Market Risk

Risk Factors, Continued

- the introduction of new products by us or our competitors;
- the geographic mix of product sales;
- the success of our marketing efforts in new regions;
- changes in third party reimbursement;
- timing of regulatory clearances and approvals;
- timing of orders by distributors;
- expenditures incurred for research and development;
- competitive pricing in different regions;
- seasonality;
- the cost and effect of promotional and marketing programs;
- the effect of foreign currency transaction gains or losses; and
- other activities of our competitors.

If a natural or man made disaster strikes our manufacturing facilities, we will be unable to manufacture our products for a substantial amount of time and our sales will decline. Our facilities and the manufacturing equipment we use to produce our products would be costly to replace and could require substantial lead time to repair or replace. The facilities may be affected by natural or man made disasters and in the event it was affected by a disaster, we would be forced to rely on third party manufacturers. Although we believe we possess adequate insurance for damage to our property and the disruption of our business from casualties, such insurance may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms, or at all.

Delaware law, provisions in our charter and our shareholder rights plan could make it difficult for another company to acquire us. Provisions of our certificate of incorporation may have the effect of delaying or preventing changes in control or management which might be beneficial to us or our security holders. In particular, our board of directors is divided into three classes, serving for staggered three-year terms. Because of this classification it will require at least two annual meetings to elect directors constituting a majority of our board of directors.
Additionally, our board of directors has the authority to issue up to 2,000,000 shares of preferred stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without further vote or action by the stockholders. Under our stockholder rights plan, we have also issued purchase rights to the holders of our common stock that entitle those holders to purchase our Series A Junior Participating Preferred Stock at a discount, under certain circumstances. The rights of the holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control, may discourage bids for our common stock at a premium over the market price of our common stock and may adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock.

RESMED INC AND SUBSIDIARIES
Quantitative and Qualitative Disclosures About Market Risk

Risk Factors, Continued

You may not be able to enforce the judgments of U.S. courts against some of our assets or officers and directors. A substantial portion of our assets are located outside the United States. Additionally, two of our seven directors and three of our eight officers reside outside the United States, along with all or a substantial portion of the assets of these persons. As a result, it may not be possible for investors to enforce judgments of U.S. courts relating to any liabilities under U.S. securities laws against our assets, those persons or their assets. In addition, we have been advised by our Australian counsel that some doubt exists as to the ability of investors to pursue claims based on U.S. securities laws against these assets or these persons in Australian courts.

RESMED INC AND SUBSIDIARIES
Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Within 90 days prior to the date of this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls subsequent to the date the Company completed its evaluation.

RESMED INC. AND SUBSIDIARIES

Item 1 Legal Proceedings

Refer Note 7 to the Condensed Consolidated Financial Statements

Item 2 Changes in Securities and Use of Proceeds

None

Item 3 Defaults Upon Senior Securities

None

Item 4 Submission of Matters to a Vote of Security Holders

None

Item 5 Other Information

On February 17, 2003, we appointed David Pendarvis as our Corporate Secretary. He will also continue as Vice President, Global General Counsel.

Item 6 Exhibits and Report on Form 8-K

a) Exhibits

None during the quarter ended March 31, 2003.

b) Reports on Form 8-K

None during the quarter ended March 31, 2003.

RESMED INC. AND SUBSIDIARIES
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ResMed Inc.

/s/ PETER C. FARRELL
……..……
Peter C. Farrell
President and Chief Executive Officer

/s/ ADRIAN M. SMITH
……...
Adrian M. Smith
Vice President Finance and Chief Financial Officer

RESMED INC AND SUBSIDIARIES

CERTIFICATIONS

I, Peter C. Farrell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ResMed Inc;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 13, 2003

/s/ PETER C. FARRELL

……

Peter C. Farrell
Chairman and Chief Executive Officer

RESMED INC AND SUBSIDIARIES
CERTIFICATIONS

I, Adrian M. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ResMed Inc;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 13, 2003

/s/ ADRIAN M. SMITH

…….
Adrian M. Smith
Vice President Finance and Chief Financial Officer